

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-010-G - ORDER NO. 93-999 ✓

NOVEMBER 2, 1993

IN RE: United Cities Gas Company - Annual)
 Review of the Purchased Gas Recovery) ORDER
 Procedures and Gas Purchasing Policies.)

On October 16, 1991, the Public Service Commission of South Carolina (the Commission) issued its Order No. 91-927, which requires an annual review of the Purchased Gas Adjustment and Gas Purchasing Policies of United Cities Gas Company (United Cities or the Company). Commission Order No. 91-927 requires the Commission Staff to make an annual audit of the Purchased Gas Adjustment and Gas Purchasing Policies of United Cities, to make a report to the Commission of the results of Staff's audit, and to make the results available to the Company and to the Consumer Advocate. The Staff has reported the results of Staff's audit to the Commission as ordered, and has made available the results of the audit to the Company and the Consumer Advocate. The matter now comes before the Commission for disposition.

By letter dated July 14, 1993, the Executive Director of the Commission required United Cities to publish one time at the Company's expense, on or before August 31, 1993, a Notice in newspapers of general circulation in the affected area. Further, the Executive Director requested that the Company furnish, at

Company expense, by bill insert or otherwise, a Notice to each customer. In both instances of notification, the Executive Director instructed the Company to provide either proof or certification that the notification was furnished. The Company complied and provided the Commission with the requested proof of notification. On September 13, 1993, the Consumer Advocate for the State of South Carolina (the Consumer Advocate) filed a Petition to Intervene in this Docket.

The provisions of Order No. 91-927 state that if the Staff takes no exception to the audits, then the Commission will decide if a hearing is necessary on a particular company. Staff took no exception to the audit in the present case. Order No. 91-927 also states that the Staff, the Company, and the Consumer Advocate may make such motions as they shall deem fit, if appropriate. When Staff forwarded the Staff Report to the parties, Staff requested the parties to file any comments by October 13, 1993. No motions or additional comments were received by any party. The Commission therefore believes that it may rule on Staff's recommendations without a hearing and will do so as follows:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. A net balancing adjustment of \$1,001,514 and \$0.0429 per therm was computed by the Staff. According to the Staff this represents an under-recovery for the twelve (12) months ended June 30, 1993.

2. It is Staff's opinion that the balance at June 30, 1993 of \$1,001,514 is accurately stated and fairly represents in all material respects the under-collection by the Company for the

twelve (12) months ended June 30, 1993, and that the proposed increment of \$0.0429 per therm should recover the under-collection during the twelve (12) month period following its implementation. The Commission adopts the Staff position in this regard.

3. The Gas Department of the Commission Staff has made a review of the Purchased Gas Adjustment and Purchasing Policies of United Cities. The PGA mechanism is "trued-up" each year based on the twelve (12) month period ending June 30. The "true-up" calculates the amount by which the revenues recovered by the Company under this PGA mechanism were greater or less than the actual cost of gas sold by the Company during such a period. Any over or under recovery is either subtracted or added to the PGA cost to be recovered by the Company during the following twelve (12) month period. The Commission Staff audits this balancing adjustment each year to insure that the Company has collected its actual gas cost, no more or no less. The Staff of the Gas Department, along with the Accounting Department, analyzed all the differences in gas costs incurred versus gas costs recovered which were recorded in Account No. 186, Deferred Gas Cost, for the twelve (12) month period ending June 30, 1993. The Gas Department verified that the gas costs recorded on the Company's books were correct compared to the supplier invoices. The Gas Department, in its review of United Cities gas purchases, (1) analyzed the demand entitlements that the Company has with its suppliers versus the demand entitlements the Company has with its firm customers, (2) analyzed the contracts the Company has with its suppliers to ensure both price and flexibility, and (3) analyzed the storage

capabilities the Company has to provide for the balancing of natural gas purchases and providing for the purchasing and storage of lower cost natural gas supplies in the summer months. The Gas Department's position with regard to the Company's operation of the PGA for the period ending June 30, 1993, is that the PGA was operated in compliance with Commission Order No. 89-871, and that with the many changes taking place in the natural gas industry today, United Cities must continue to have the flexibility that is currently inherent in its approved PGA rider. The Commission adopts this reasoning and finds that United Cities has operated its PGA in compliance with Commission Order No. 89-871 for the period ending June 30, 1993.

4. The Gas Department's observations of the Company's Purchasing Policies indicate that United Cities has made a number of changes with regard to the purchases of natural gas supplies. As a result of the Federal Energy Regulatory Commission's approval of Transco's Revised Stipulation and Agreement, United Cities no longer purchases gas from Transco under the traditional CD-2 rate schedule, but instead, is utilizing Transco as a transportation system. It should be noted that Transco's Revised Stipulation and Agreement still provides for Transco to provide a merchant function for the purchases of natural gas. United Cities relies on Transco to provide for a certain amount of this service. The Gas Department is of the opinion that United Cities has made prudent decisions in carrying out its supply requirements for meeting both its firm customers demand entitlements and for competing with the industrial alternate fuel market. United Cities' supply

requirements are met through long-term contracts with producers and through purchases of gas on the spot market. United Cities' ability to make purchases of natural gas supplies and to transport these supplies on the Transco system under Transco's Firm Transportation Service has provided United Cities with the opportunity to take advantage of market-responsive priced gas which enables United Cities to minimize its gas costs. The Gas Department has taken the position that United Cities gas purchasing policies are prudent and that United Cities attempts to secure the best terms available in its negotiations with suppliers and in proceedings in FERC. The Commission adopts this reasoning.

5. United Cities has an obligation to maintain adequate supplies at just and reasonable costs to serve its customers. The Gas Department believes that United Cities continues to meet this responsibility. Considering the record as a whole, the Commission adopts this position.

6. It appears to this Commission that the finding of the Staff as set forth in the Staff Report is that no changes are needed in the Gas Cost Recovery Procedure. The Commission adopts this position.

IT IS THEREFORE ORDERED THAT:

1. The proposed increment of \$0.0429 per therm should be, and is hereby adopted in order to recover the under-collection during the twelve (12) month period following its implementation.

2. The Company's gas purchasing practices and policies are hereby found to be prudent.

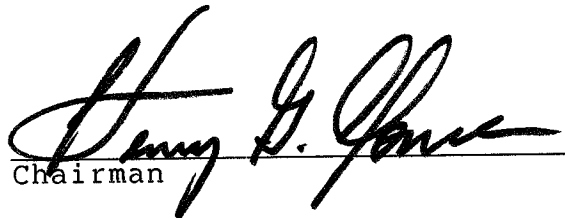
3. The Company file revised tariff sheets reflecting the

findings herein within ten (10) days from the receipt of this Order.

4. No changes are needed in the Gas Cost Recovery Procedures of United Cities Gas Company, and the present procedure shall continue.

5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)